

Research on the organizational resilience construction of SMEs under the background of VUCA

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Abstract: At the beginning of 2020, the COVID-19 epidemic with obvious characteristics of the VUCA environment affected the world, and many Small and Medium-sized Enterprises (SMEs) were forced to stop production. Although the epidemic has now been brought under control, the crisis has exposed the severity of the impact of the epidemic on SMEs due to their lack of organizational resilience. Organizational resilience, as a kind of ability that helps organizations resist and absorb shocks and achieve stability and development, has been paid more and more attention. Based on the VUCA background, beginning with the definition of organizational resilience and its influencing factors, this paper studies the mechanism of organizational resilience on the development of SMEs and proposes three strategies for SMEs to forge organizational resilience, which provides theoretical support for SMEs to cope with the VUCA environment.

1. Introduction

In 2020, the “black swan” event -- COVID-19 suddenly broke out, plunging the world economy and politics into serious turbulence, and forcing organizations to enter a VUCA era, which is volatile, uncertain, complex and ambiguous. As an important force in economic development, SMEs have made great contributions to solving the employment problem, promoting economic development and activating the vitality of market economy. SMEs have small scale, relatively backward technical equipment, lack of funds, and weak ability to withstand market risks. Therefore, they are more likely to face serious uncertainties and crises due to the influence of external environment. In recent years, a growing number of scholars have begun to study how companies can better cope with the VUCA era. From the perspective of research objects, these studies mainly focus on large enterprises, and there is no special research on SMEs at present. However, there are great differences between large enterprises and SMEs, which means that the research conclusions for large enterprises may not be applicable to SMEs. In addition, at present, there are few studies on organizational resilience in VUCA environment, and most of the studies on organizational resilience do not fit the environmental characteristics of VUCA, let alone apply it to SMEs in VUCA environment. In this paper, the concept of organizational resilience and its influencing factors are introduced in the context of VUCA to help SMEs effectively cultivate and improve organizational resilience. It is found that SMEs can better cope with the challenges of the VUCA environment by building flexible management processes, positive learning atmosphere, and establishing long-term strategic direction.

2.Literature Review

2.1. VUCA Environment

VUCA is the acronym for Volatility, Uncertainty, Complexity and Ambiguity. It was first come from the leadership theory of Warren Bennis and Burton Nanus, and was later put forward by the US Army War College to describe the world military environment at that time. ^[1] Since then, an increasing number of scholars believe that the VUCA environment is of great research value. The VUCA trend is increasing the likelihood and frequency of black swan events of disasters and crises. ^[2] In the VUCA environment, organizations are faced with both opportunities and challenges. Peter F. Drucker, a master of management, predicts that every company will inevitably face numerous challenges and opportunities in the increasingly complex global social environment. ^[3] “V” stands for volatility, which refers to the unstable state of the environment due to drastic or rapid changes. ^[1] “U” stands for uncertainty. It refers to the fact that the lack of predictability of the environment makes it difficult for an organization to make predictions and decisions based on past experience. ^[1] “C” stands for complexity, which means that the problems faced by organizations in this environment usually involve many complex causes and mitigating factors that are difficult to understand. ^[1] “A” stands for ambiguous, which refers to the situation in which the organization’s understanding of the meaning and cause of the event is usually unclear or difficult to determine. ^[1]

2.2. Organizational Resilience

Resilience first appears in the studies of ecology. In his paper on the Resilience and stability of ecosystem, Hollin defined “Resilience” as the ability to restore the balance of the ecological environment after a temporary disturbance. ^[5] Since then, the perspective of resilience has gained widespread attention in academia and industry, and has begun to influence fields beyond ecology. Among them, “organizational resilience”, as an extension of resilience theory in the field of management, also has a corresponding conceptual definition. Hamel and Valikangas believe that organizational resilience mainly refers to the ability of an organization to dynamically reconstruct enterprise strategies and business models to cope with uncertain environmental changes, maintain operation order and maintain production efficiency. ^[6] Organizational resilience in the context of extreme events can predict extreme events and repair and transcend vulnerability in organizational systems. ^[7]

As the importance of organizational resilience becomes more and more prominent, the research on organizational resilience in academic circles begins to deepen gradually. However, there are two different views on the definition of organizational resilience. Some argue that organizational resilience is simply the ability of an organization to bounce back from unexpected and adverse events and return to homeostasis, which can prevent regression or preserve essential functions of the organizations. ^[8] Others believe that organizational resilience can not only help an organization to return to homeostasis, but also enable an organization to develop new capabilities and even create new opportunities in new environment. ^[9] This view holds that organizational resilience can help companies cope fully with unexpected challenges and changes. It can not only solve the current plight of the company, but also enable the company to take advantage of the opportunity to go beyond the current situation and have a better future. This article adopts the second view that organizational resilience can not only restore the organization to a stable state, but also help the organization to create more opportunities beyond its original state.

Of course, the most important purpose of studying organizational resilience is to form, consolidate and improve organizational resilience, and in order to achieve this goal, we must make clear the influencing factors of organizational resilience. Through sorting out the research literature,

it is found that the main factors affecting organizational resilience are tangible organizational resources and intangible organizational resources. Tangible resources in organizational resources include traditional economic assets, such as capital, materials, and technical resources. For tangible organizational resources, if the organization faces a major impact or challenge, organizational resources can make significant contributions to organizational resilience. Financial resources can act as a buffer in the face of a crisis, and the redeployment of financial assets to a range of uses makes them an important source of organizational resilience. Similarly, physical resources, such as finished goods and inventory, are particularly important for the organization to build resilience when the supply chain is interrupted or production is down.^[10] Intangible resources in organizational resources include social network, organizational learning, organizational culture, and organizational leadership. For intangible resources, Lv and others believe that organizational resilience is largely derived from social relations, and positive social relations have a positive predictive effect on organizational resilience.^[11] Knight found through research that organizational learning, organizational leadership, and internal organizational relationships play a key role in organizational resilience.^[12] In addition, Coutu believes that organizational culture also plays an important role in the development of organizational resilience. It helps organizations interpret and shape the surrounding environment, and point out the development direction for the organization.^[9]

The suddenness in the early stage of this epidemic and the ambiguity of the development process are just the embodiment of the environmental connotation of VUCA, although there are currently many studies that have constructed an overall framework for organizational resilience. The suddenness of the outbreak and the vagueness of the development process are the embodiment of the environmental connotation of VUCA. Although many studies have constructed the overall framework of organizational resilience,^[2] the research objects are mainly focused on large enterprises, such as Alibaba and Haier. The framework built with these enterprises as the research object is inevitably lack of reference to SMEs. More broadly, there is limited evidence on how SMEs should plan for and respond to a VUCA environment. Based on this, this paper proposes the methods of how to build or consolidate organizational resilience in the VUCA environment, in an attempt to fill the existing research gaps.

3. The Mechanism of Organizational Resilience on The Survival and Development of SMEs in The VUCA Environment

When an enterprise encounters the impact of VUCA environment, tangible organizational resource reserves (financial resources, inventory, raw materials, etc.) and social network can play a buffer role, reduce the destructiveness of external adverse factors, help the organization to improve resilience, guide the organization to make appropriate responses, and gradually adapt to the VUCA environment. However, SMEs lack sufficient resource reserves due to the limitation of resources and social relations. However, limited by resources and social relations, SMEs lack sufficient resource reserves. Therefore, they have less time to buffer and react when confronted with VUCA environmental impact, which has a certain impact on the establishment and improvement of organizational resilience of SMEs. However, compared with larger enterprises, SMEs also have their specific relative advantages, that is, they are more flexible and adaptable. Although there is less buffering and response time, these features enable SMEs to shorten the decision-making chain, speed up the response time when a crisis occurs, and solve the immediate bottleneck more quickly. Next, the intangible resources of the organization come into play. First of all, the leaders of SMEs will respond to the VUCA environment, confirm the impact of the risk on all aspects of the enterprise production and operation, formulate emergency strategies, and put the strategies into

action. Employees and managers in SMEs have a closer emotional and financial connection to the company than those in large enterprises. Therefore, at this time, the organizational culture of SMEs, and the sense of trust and responsibility of the organization members can more effectively stimulate the cohesion and morale of the organization, activate the enthusiasm and initiative of the organization to deal with the crisis environment, and improve and build the organizational resilience of the enterprise. Due to the nature of the VUCA environment, the organization has to rely on constant communication among its members to better analyze the environment and find solutions to the current difficulties. At this point, organizational learning plays a vital role. Organizational learning can give play to the individual initiative of employees and enhance the efficiency of information exchange among them so that enterprises can adapt to the challenge faster, adjust and improve the emergency response strategy, restore or even reconstruct the entire organizational system, and strengthen the organizational emergency response capacity. SMEs can also make enterprises move from rebound and recovery to improvement through positive learning and innovation.

4. Strategies of Forging Organizational Resilience for SMEs in VUCA Environment

4.1. Proactively Change Organizational Management

In a VUCA environment, poor leadership skills, especially if they focus on rigid processes and permissions, and do not adapt to changes in the environment, will prevent the business from getting back in order. SMEs should change the organizational management mode according to the changes of the environment, break rigid management processes and controls, increase the flexibility of the organization's operations, appropriately delegate authority to improve responsiveness, reduce reaction time as much as possible, so as to actively address the challenges in the VUCA environment, match the organizational management model with the current environment, and build and improve the organizational resilience of the enterprise.

4.2. Actively Encourage Organizational Learning and Innovation

In the VUCA environment, the current development environment faced by enterprises is volatile, uncertain, complex and ambiguous, and breakpoints are the basic form of today's market environment. In such a market environment, it is mandatory for SMEs to learn to update the understanding of organizational development model, actively seek the way out of organizational development model reform, so that enterprises can adapt to the challenges faster. In addition, enterprises should encourage positive learning after adapting to VUCA, so that the organization can move from rebound and recovery to improvement as soon as possible. At the same time, the development mode of the organization should not be limited to the scale expansion, but should change from the emphasis on the scale expansion to the value growth, innovate the value space of the enterprise, and enhance the organization's ability to resist risks and organizational resilience.

4.3. Build a Long-term Resilience Strategy

If SMEs want to better adapt to the VUCA environment, they have to learn to develop long-term resilience strategies. The construction of long-term resilience strategy for SMEs can be divided into two steps: first, the assessment of various risks and their interdependence within the scope of business environment. Through the inspection of partners in the entire enterprise structure and each link of the supply chain, the organization identifies possible uncertain risks and evaluates the interdependence, complexity and destructiveness of various risks. The second is to establish the corresponding risk strategy and operation mode, establish links between the corresponding risk

strategy and the company's development strategy, use understandable language to describe risk management and resilience to all employees, and make sure that everyone understands exactly the crisis the company is facing and agrees with the risk strategy the organization has developed, so as to ensure the effective execution of risk strategies.

5. Conclusion

In recent years, scholars have conducted many in-depth studies on the definition and influencing factors of organizational resilience. The global outbreak, as an example of the VUCA environment, is a huge challenge for SMEs, which are particularly vulnerable in this VUCA environment due to their lack of organizational resilience. Therefore, SMEs should actively cultivate the organizational toughness of forging enterprises. This paper recommends three strategies for forging organizational resilience in the VUCA environment, hoping to enable enterprises to find a balance in the turbulent environment and find solutions in the crisis as soon as possible.

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